

IN THE COURT OF COMMON PLEAS OF LEHIGH COUNTY, PENNSYLVANIA
CIVIL ACTION - LAW

PENN TREATY NETWORK AMERICA :
INSURANCE COMPANY, : NO.

: Plaintiff,

: vs.

NATIONAL HEALTHCARE SERVICES, :
INC., HERBERT E. SCHWARTZ and NEAL :
A. FORMAN, :

: Defendants.

COMPLAINT

Plaintiff, Penn Treaty Network America Insurance Company, by and through its counsel, Tallman, Hudders & Sorrentino, P.C., files this Complaint against Defendants, National Healthcare Services, Inc., Herbert E. Schwartz and Neal A. Forman, for the following reasons.

1. Plaintiff, Penn Treaty Network America Insurance Company ("Penn Treaty" or "Plaintiff") is a Pennsylvania corporation with a principal place of business located at 3440 Lehigh Street, Allentown, Lehigh County, Pennsylvania 18103.

2. Defendant, National Healthcare Services, Inc. ("NHSI" or "Defendant NHSI"), is a Washington corporation with a principal place of business located at 4523 102nd Lane, N.E., Kirkland, Washington 98033.

3. Defendant, Herbert E. Schwartz ("Schwartz" or "Defendant Schwartz"), is an adult individual with an address for service located at 7329 N.E. 18th Street, Medina, Washington 98039.



4. Defendant, Neal A. Forman ("Forman" or "Defendant Forman"), is an adult individual with an address for service located at 4523 102nd Lane, N.E., Kirkland, Washington 98033.

5. On January 11, 2000, Plaintiff and Defendants executed a Promissory Note. A true and correct copy of said Promissory Note is attached hereto, incorporated herein by reference, and marked as Exhibit "A".

6. Pursuant to the Promissory Note, Plaintiff extended to Defendant NHSI a line of credit up to the amount of Three Hundred Thousand Dollars (\$300,000.00).

7. As an individual shareholder of Defendant NHSI, Defendant Schwartz agreed to personally and individually indemnify and guarantee Plaintiff for advances made under the line of credit in an amount equal to twenty-five percent (25%) of the outstanding balance advanced plus interest.

8. As an individual shareholder of Defendant NHSI, Defendant Forman agreed to personally and individually indemnify and guarantee Plaintiff for advances made under the line of credit in an amount equal to twenty-five percent (25%) of the outstanding balance advanced plus interest.

9. On January 11, 2000, pursuant to the Promissory Note Agreement dated January 11, 2000, Defendants requested a wire transfer of the sum of Fifty Thousand Dollars (\$50,000.00) into NHSI's bank account. A copy of the correspondence requesting the wire transfer is attached hereto, incorporated herein by reference, and marked as Exhibit "B".

10. On or about March 8, 2000, Defendants, pursuant to the Promissory Note Agreement dated January 11, 2000, requested that Plaintiff wire transfer the sum of Twenty-Five Thousand Dollars (\$25,000.00) into NHSI's bank account. A copy of the correspondence requesting the wire transfer is attached hereto, incorporated herein by reference, and marked as Exhibit "C".

11. On or about April 28, 2000, Defendants, pursuant to the Promissory Note Agreement dated January 11, 2000, requested Plaintiff to wire transfer the sum of Twenty-Five Thousand Dollars (\$25,000.00) into NHSI's bank account. A copy of the correspondence requesting the wire transfer is attached hereto, incorporated herein by reference, and marked as Exhibit "D".

12. On or about August 1, 2000, pursuant to the Promissory Note Agreement dated January 11, 2000, Defendants requested that Plaintiff wire transfer the sum of Twenty-Five Thousand Dollars (\$25,000.00) into NHSI's bank account. A copy of the correspondence requesting the wire transfer is attached hereto, incorporated herein by reference, and marked as Exhibit "E".

13. Pursuant to the Promissory Note Agreement, Plaintiff wired a total amount of One Hundred Twenty-Five Thousand Dollars (\$125,000.00) to NHSI's bank account.

14. Defendants have made partial payments of principal and interest on the Promissory Note in the amount of Eighteen Thousand Two Hundred Thirty-Three Dollars (\$18,233.00).

15. On or about August 13, 2001, Plaintiff, through its Treasurer, sent Defendants a past due invoice for monies owed to Plaintiff by Defendants pursuant to the Promissory Note

Agreement. The letter required Defendants to become current within thirty (30) days of the date of the letter. A copy of the letter is attached hereto, incorporated herein by reference, and marked as Exhibit "F".

16. Defendants have failed to make any payments to Plaintiff since the August 13, 2001 letter was sent to them, other than deductions made by Plaintiff.

17. On or about October 8, 2001, Plaintiff, through its Treasurer, sent Defendants a past due invoice for monies owed to Plaintiff by Defendants pursuant to the Promissory Note Agreement. The letter required Defendants to become current within thirty (30) days. A copy of the letter is attached hereto, incorporated herein by reference, and marked as Exhibit "G".

18. Defendants have failed to make any payments to Plaintiff since the October 8, 2001 letter was sent to them.

19. Defendants are in default pursuant to the Promissory Note Agreement.

20. Despite repeated demand for payment, Defendants have failed to repay their obligations pursuant to the Promissory Note Agreement.

COUNT I
BREACH OF CONTRACT
Plaintiff vs. Defendants

21. Plaintiff incorporates by reference paragraphs 1 through 20 of Plaintiff's Complaint as though the same were more fully set forth herein at length.

22. Defendants have breached the Promissory Note Agreement with Plaintiff as follows:

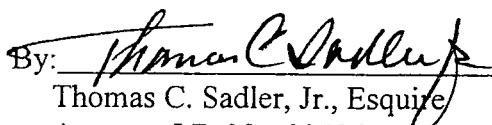
(a) Defendants have failed to make required monthly payments of principal;

- (b) Defendants have failed to make required monthly payments of interest;
- (c) Defendants have failed to repay monies received pursuant to a line of credit; and
- (d) Defendants have defaulted on the Promissory Note Agreement.

23. As the result of Defendants' breach of the Promissory Note Agreement, Plaintiff is due and owing the sum of One Hundred Six Thousand Seven Hundred Sixty-Seven Dollars (\$106,767.00) plus pre-judgment interest, post-judgment interest, attorneys' fees, and such other relief as the Court deems just.

WHEREFORE, Plaintiff demands judgment in the amount of One Hundred Six Thousand Seven Hundred Sixty-Seven Dollars (\$106,767.00) plus pre-judgment interest, post-judgment interest, attorneys' fees, and such other relief as the Court deems just.

TALLMAN, HUDDERS & SORRENTINO, P.C.

By: 
Thomas C. Sadler, Jr., Esquire
Attorney I.D. No. 08706
Steven E. Hoffman
Attorney I.D. No. 63911

1611 Pond Road, Suite 300
Allentown, PA 18104-2256
(610) 391-1800

Attorneys for Plaintiff
Penn Treaty Network America
Insurance Company

VERIFICATION

I, Cameron B. Waite, CFO of Penn Treaty Network America Insurance

Company, verify that the statements made in the foregoing Complaint are true and correct to the best of my knowledge, information and belief. I understand that any false statements therein are made subject to the penalties of 18 Pa. C.S.A. § 4904, relating to unsworn falsification to authorities.

Dated: December 5, 2001



Fax: 610-967-1098

Jan 11 '00 14:02 P. 02/03

Promissory Note

This AGREEMENT is made and entered into this 11 day of January, 2000 by and between Penn Treaty Network America, a Pennsylvania corporation ("Creditor") and National Healthcare Services, Inc. ("Debtor"), a Washington Corporation.

WHEREAS, Creditor and Debtor have executed an agreement to enter into a joint venture for the marketing and sale of a non-insurance discount product ("the Enterprise"); and,

WHEREAS, Debtor intends to expend monies in the start-up, marketing and establishment of the Enterprise ("Costs"); and,

WHEREAS, Creditor desires to extend a credit facility (the "Line") to Debtor of up to three hundred thousand dollars (\$300,000.00) for the sole use of Debtor in funding Costs.

NOW, THEREFORE, intending to be legally bound, and in consideration of the mutual covenants set forth herein, the parties agree as follows:

1. The Line shall be extended for a period of no more than thirty-six (36) months from the date of this Promissory Note ("Term") unless otherwise terminated by either Creditor or Debtor due to the discontinuance of the Enterprise or any other matter by which the Creditor has good and substantive reason to believe that Debtor is no longer financially capable of repaying any advanced funds or interest arising from borrowings under the Line.

2. In the event of termination of the Line by Creditor, Creditor will notify Debtor in writing, but shall not be obligated to advance funds under the Line beyond the date of notice of termination sent to Debtor either by U.S. Mail or facsimile.

3. Shareholders of the Debtor ("Shareholders"), as identified by the signatories of this Promissory Note, agree to personally and individually indemnify and guarantee the Creditor for advances under the Line in an amount equal to twenty-five percent (25%) of the outstanding balance advanced plus interest (as calculated in Section 6 below) per individual Shareholder.

4. Advances shall be made as soon as practicable by Creditor upon written request signed by all Shareholders. Advances shall be made in increments of twenty-five thousand dollars (\$25,000) up to the remaining availability of the Line. Availability shall be defined as three hundred thousand dollars (\$300,000.00) less all prior outstanding advances less accrued interest.

5. Aggregate advances during the Term shall not exceed three hundred thousand dollars (\$300,000.00), regardless of outstanding balances.

6. Interest shall be calculated from time of each advance using a fixed-rate of interest, equal to the First Union National Bank prime rate at the time of advance plus two percent ("Interest Rate"). Interest shall be calculated on a simple basis, calculated as the advance multiplied by the Interest Rate multiplied by the number of days since the advance divided by three hundred, sixty-five (365).

7. No interest payment will be required within six months following any advance. However, interest will accrue during this time. After six months, all accrued interest will be added to the outstanding balance of the advance for purposes of future interest calculations and outstanding Line balance. Current monthly interest will become payable each month thereafter, as defined by the outstanding advance plus accrued interest multiplied by the Interest Rate multiplied by the number of calendar days in the preceding month divided by three hundred, sixty-five (365), with no subsequent advances made until current interest is paid.

8. Principal payments shall be made monthly, beginning no later than twelve months after each individual advance. Principal payments shall be made as one twelfth of the sum of the outstanding balance of any advance plus accrued interest.

Fax: 510-967-1098

Jan 11 '00 14:03 P. 03/03

9. Any payment of interest or required principal repayment remaining due and unpaid more than thirty (30) days following the aforementioned schedule shall constitute default under this Promissory Note and may cause the revocation of this Line and immediate action for collection of the then outstanding principal and interest amounts.

10. Miscellaneous:

(a) This Promissory Note constitutes the entire agreement between the parties with respect to the subject matter hereof. It shall not be modified except by a written agreement dated subsequent to the date of this Promissory Note and signed by authorized representatives of both parties.

(b) None of the provisions of this Promissory Note shall be deemed to have been waived by any act or acquiescence on the part of PTNA, its agents, or employees but only by an instrument in writing signed by an authorized officer of PTNA. No waiver of any provision of this Promissory Note shall constitute a waiver of any other provision(s) or of the same provision on another occasion. Failure of PTNA to enforce any provision of this Promissory Note shall not constitute waiver of such provision or any other provisions of this agreement.

(c) If any action at law or in equity is necessary to enforce or interpret the rights arising out of or relating to this Promissory Note, the prevailing party shall be entitled to recover reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which it may be entitled.

(d) This Promissory Note shall be construed and governed by the laws of the State of Pennsylvania, and both parties further consent to jurisdiction by the state and federal courts sitting in the State of Pennsylvania.

(e) If any provision of this Promissory Note shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect. Should any of the obligations of this Promissory Note be found illegal or unenforceable as being too broad with respect to the duration, scope or subject matter thereof, such obligations shall be deemed and construed to be reduced to the maximum duration, scope or subject matter allowable by law.

(f) All obligations created by this Promissory Note shall survive change or termination of the parties' business relationship.

IN WITNESS WHEREOF, this Promissory Note has been executed as of the 11 day of January, 2000.

PENN TREATY NETWORK AMERICA
INSURANCE COMPANY

By: John B. Clark

NATIONAL HEALTHCARE SERVICES, INC.

By: Herbert E. Schwartz

SHAREHOLDERS:

Herbert E. Schwartz
Neal A. Forstman

WITNESS:

John B. Clark
Virginia M. Richardson

10:25 7738674441

DISCOUNT DEVELOPMENT

PAGE 81

National Healthcare Services Inc.

4523 102nd Lane N.E., Kirkland, WA 98033

Phone: (425) 450-1000 Fax: (425) 822-6306

Advance Date

1/12/00

(CB3)

Rate =

10.5%

FIXED

FAX TRANSMISSION

Total Number of Pages (including this page) 1

To: Cameron Waite Date Jan 11, 2000

Company: Penn Treat America Corp. Fax Number: 610-965-0668

Message:

Dear Cam:

For our Promissory Note Agreement dated Jan 11, 2000, I Neal A. Forman and Herbert E. Schwartz are requesting that you wire transfer into our National Healthcare Services, Inc. bank account the total sum of \$50,000.00.

Following is the bank information:

US Bank

10800 N.E. 8th St.

Suite 500

Bellevue, Wash 98004

Attn: Private Banking/ Pat Strategic

1-800-573-3555

Acct #: 153590814998

Routing #: 125900145

National Healthcare Services, Inc.

By: Neal A. Forman

Shareholder:

Herbert E. Schwartz

Neal A. Forman

*All rights***National Healthcare Services Inc.**

4523 102nd Lane N.E., Kirkland, WA 98033

Phone: (425) 450-4000 Fax: (425) 822-6306

FAX TRANSMISSIONTotal Number of Pages (including this page) 1To: Cameron Waite Date March 8, 2000Company: Penn Treaty America Corp. Fax Number: 610-965-0663

Message:

Per our Promissory Note Agreement dated Jan 11, 2000, I Neal A. Forman and Herbert E. Schwartz are requesting that you wire transfer into our National Healthcare Services, Inc. bank account the total sum of \$25,000.00.

Thanking you in advance:

Following is the bank information:

*ok
CBA
3/9/00*

US Bank
10800 N.E. 8th St.
Suite 500
Bellevue, Wash 98004
Attn: Private Banking / Pat Sungura
1-800-673-3555
Acc#N: 153590814098
Routing #: 125008105

National Healthcare Services, Inc.

By: Neal Forman

Shareholders:

Herbert E. SchwartzNeal A. Forman

All Rich
Forman

National Healthcare Services Inc.

4523 102nd Lane N.E., Kirkland, WA 98033
Phone: (425) 450-4000 Fax: (425) 822-6306

FAX TRANSMISSION

Total Number of Pages (including this page) 1

To: Cameron Waite Date April 28, 2000 *4/29/2000*

Company: Penn Treaty America Corp. Fax Number: 610-965-0668

Message:

Per our Promissory Note Agreement dated Jan 11, 2000, I Neal A. Forman and Herbert E. Schwartz are requesting that you wire transfer into our National Healthcare Services, Inc. bank account the total sum of \$25,000.00.

Thanking you in advance:

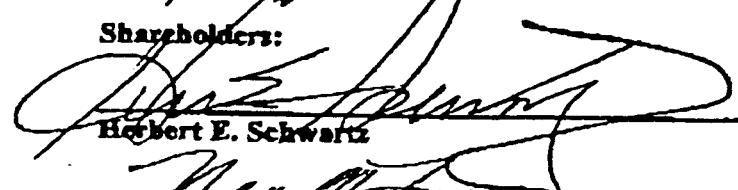
Following is the bank information:

US Bank
10800 N.E. 8th St.
Suite 500
Bellevue, Wash 98004
Attn: Private Banking / Pat Sungren
1-800-673-3555
Acct#: 153590814098
Routing #: 125000105

National Healthcare Services, Inc.

By: 

Shareholders:


Herbert E. Schwartz


Neal A. Forman

All Rich

National Healthcare Services Inc.

4523 102nd Lane N.E., Kirkland, WA 98033
Phone: (425) 450-4000 Fax: (425) 822-6306

FAX TRANSMISSION

Total Number of Pages (including this page) 1

To: * Cameron Waite Date Aug. 1, 2000

Company: Penn Treaty America Corp. Fax Number: 610-965-0668

Message:

8/24/00

Per our Promissory Note Agreement dated Jan 11, 2000, I Neal A. Forman and Herbert E. Schwartz are requesting that you wire transfer into our National Healthcare Services, Inc. bank account the total sum of \$25,000.00.

Thanking you in advance:

Following is the bank information:

US Bank
10800 N.E. 8th St.
Suite 500
Bellevue, Wash 98004
Attn: Private Banking / Pat Sungren
1-800-673-3555
Acct#: 153590814098
Routing #: 125000105



National Healthcare Services, Inc.

004314

By: Neal Forman CEO

Shareholders:

Herbert E. Schwartz

Neal Forman
Neal A. Forman



Penn Treaty Network America Insurance Company
(PTNA Life Insurance Company in CA)
American Network Insurance Company

August 13, 2001

Mr. Neal Forman
National Healthcare Services, Inc.
4523 102nd Lane N.E.
Kirkland, WA 98033

Dear Neal:

Please find enclosed invoices totaling \$23,290 for accrued and unpaid interest and principal payments on your advances to-date. After deducting \$4,435 from your July net income, your current payment due is \$18,855. Upon timely receipt of your payment, your remaining note balance will be reduced from \$112,428 to \$89,138.

As you have requested, when available, we will deduct the amount due from your monthly AllRisk payment. In the event your monthly payment is insufficient to cover the total invoice amount, I have indicated the remaining amount currently due.

Please be advised that your balance is past due. If the current balance is not paid within 30 days, we may consider the note to be in default and require immediate payment of the balance in full.

I am available to answer any questions

Sincerely,

Michael Zell

Michael F. Grill
Treasurer

Invoice Date: 3-Aug-01

<u>Date</u>	<u>Advance Amount</u>	<u>Interest Rate</u>	<u>Prior Balance</u>	<u>Payment Applied</u>	<u>Interest Accrued</u>	<u>Current Balance</u>	<u>Interest Due</u>	<u>Principal Due</u>
1/12/00	50,000	10.50%	-	-	-	50,000	-	-
2/12/00		10.50%	50,000	-	438	50,438	-	-
3/12/00		10.50%	50,438	-	441	50,879	-	-
4/12/00		10.50%	50,879	-	445	51,324	-	-
5/12/00		10.50%	51,324	-	449	51,773	-	-
6/12/00		10.50%	51,773	-	453	52,226	-	-
7/12/00		10.50%	52,226	-	457	52,683	457	-
8/12/00		10.50%	52,683	-	461	53,144	918	-
9/12/00		10.50%	53,144	-	465	53,609	1,383	-
10/12/00		10.50%	53,609	-	469	54,078	1,852	-
11/12/00		10.50%	54,078	1,852	473	52,699	473	-
12/12/00		10.50%	52,699	473	461	52,687	461	-
1/12/01		10.50%	52,687	461	461	52,687	461	-
2/12/01		10.50%	52,687	461	461	52,687	461	4,391 *
3/12/01		10.50%	52,687	4,852	461	48,297	461	4,391 *
4/12/01		10.50%	48,297	4,852	423	43,867	423	4,353 +
5/12/01		10.50%	43,867	2,769	384	41,482	384	6,436 +
6/12/01		10.50%	41,482	4,775	363	37,070	363	6,435 +
7/12/01		10.50%	37,070	-	324	37,394	687	10,826

Total Amount Currently Due For This Advance:

* Paid

+ Partial

Interest -- \$ 687
 Principal -- 10,826
 Total -- \$ 11,513

Please Make Check Payable to:

Penn Treaty Network America
 c/o Michael Grill, Treasurer
 3440 Lehigh Street
 Allentown, PA 18103

Invoice Date: 3-Aug-01

<u>Date</u>	<u>Advance Amount</u>	<u>Interest Rate</u>	<u>Prior Balance</u>	<u>Payment Applied</u>	<u>Interest Accrued</u>	<u>Current Balance</u>	<u>Interest Due</u>	<u>Principal Due</u>
3/9/00	25,000	10.75%	-	-	-	25,000	-	-
4/9/00		10.75%	25,000	-	224	25,224	-	-
5/9/00		10.75%	25,224	-	226	25,450	-	-
6/9/00		10.75%	25,450	-	228	25,678	-	-
7/9/00		10.75%	25,678	-	230	25,908	-	-
8/9/00		10.75%	25,908	-	232	26,140	-	-
9/9/00		10.75%	26,140	-	234	26,374	234	-
10/9/00		10.75%	26,374	-	236	26,610	470	-
11/9/00		10.75%	26,610	470	238	26,379	238	-
12/9/00		10.75%	26,379	238	236	26,377	236	-
1/9/01		10.75%	26,377	236	236	26,377	236	-
2/9/01		10.75%	26,377	236	236	26,378	236	-
3/9/01		10.75%	26,378	236	236	26,378	236	-
4/9/01		10.75%	26,378	236	236	26,378	236	2,083 *
5/9/01		10.75%	26,378	2,319	236	24,296	236	2,198 *
6/9/01		10.75%	24,296	2,434	218	22,079	218	2,198 +
7/9/01		10.75%	22,079	-	198	22,277	415	4,396

Total Amount Currently Due For This Advance:

Interest -- \$ 415
 Principal -- 4,396
 Total -- \$ 4,812

* Paid
 + Partial

Please Make Check Payable to:

Penn Treaty Network America
 c/o Michael Grill, Treasurer
 3440 Lehigh Street
 Allentown, PA 18103

Invoice Date: 3-Aug-01

<u>Date</u>	<u>Advance Amount</u>	<u>Interest Rate</u>	<u>Prior Balance</u>	<u>Payment Applied</u>	<u>Interest Accrued</u>	<u>Current Balance</u>	<u>Interest Due</u>	<u>Principal Due</u>
4/29/00	25,000	11.00%	-	-	-	25,000	-	-
5/29/00		11.00%	25,000	-	229	25,229	-	-
6/29/00		11.00%	25,229	-	231	25,460	-	-
7/29/00		11.00%	25,460	-	233	25,694	-	-
8/29/00		11.00%	25,694	-	236	25,929	-	-
9/29/00		11.00%	25,929	-	238	26,167	-	-
10/29/00		11.00%	26,167	-	240	26,407	240	-
11/29/00		11.00%	26,407	240	242	26,409	242	-
12/29/00		11.00%	26,409	242	242	26,409	242	-
1/29/01		11.00%	26,409	242	242	26,409	242	-
2/28/01		11.00%	26,409	242	242	26,409	242	-
3/28/01		11.00%	26,409	242	242	26,409	242	-
4/28/01		11.00%	26,409	242	242	26,409	242	-
5/28/01		11.00%	26,409	242	242	26,409	242	2,201 +
6/28/01		11.00%	26,409	865	242	25,787	242	3,779 +
7/28/01		11.00%	25,787	-	236	26,023	478	5,979

Total Amount Currently Due For This Advance:

* Paid
+ Partial

Interest -- \$ 478
Principal -- 5,979

Total -- \$ 6,458

Please Make Check Payable to:

Penn Treaty Network America
c/o Michael Grill, Treasurer
3440 Lehigh Street
Allentown, PA 18103

Invoice Date: 3-Aug-01

<u>Date</u>	<u>Advance Amount</u>	<u>Interest Rate</u>	<u>Prior Balance</u>	<u>Payment Applied</u>	<u>Interest Accrued</u>	<u>Current Balance</u>	<u>Interest Due</u>	<u>Principal Due</u>
8/24/00	25,000	11.50%	-	-	-	25,000	-	-
9/24/00		11.50%	25,000	-	240	25,240	-	-
10/24/00		11.50%	25,240	-	242	25,481	-	-
11/24/00		11.50%	25,481	-	244	25,726	-	-
12/24/00		11.50%	25,726	-	247	25,972	-	-
1/24/01		11.50%	25,972	-	249	26,221	-	-
2/24/01		11.50%	26,221	-	251	26,472	251	-
3/24/01		11.50%	26,472	251	254	26,475	254	-
4/24/01		11.50%	26,475	251	254	26,478	254	-
5/24/01		11.50%	26,478	251	254	26,481	254	-
6/24/01		11.50%	26,481	254	254	26,480	254	-
7/24/01		11.50%	26,480	-	254	26,734	508	-

Total Amount Currently Due For This Advance:

Interest -- \$ 508
 Principal -- _____
 Total -- \$ 508

Penn Treaty Network America
 c/o Michael Grill, Treasurer
 3440 Lehigh Street
 Allentown, PA 18103



Penn Treaty Network America Insurance Company

(PTNA Life Insurance Company in CA)

American Network Insurance Company

October 8, 2001

Mr. Neal Forman
National Healthcare Services, Inc.
4523 102nd Lane N.E.
Kirkland, WA 98033

Dear Neal:

Please find enclosed invoices totaling \$32,972 for accrued and unpaid interest and principal payments on your advances to-date. After deducting \$3,279 from your September net income, your current payment due is \$29,693. Upon timely receipt of your payment, your remaining note balance will be reduced from \$106,727 to \$81,371.

As you have requested, when available, we will deduct the amount due from your monthly AllRisk payment. In the event your monthly payment is insufficient to cover the total invoice amount, I have indicated the remaining amount currently due.

Please be advised that your balance is past due. If the current balance is not paid within 30 days, we may consider the note to be in default and require immediate payment of the balance in full.

I am available to answer any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael F. Grill".

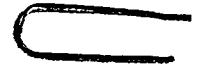
Michael F. Grill
Treasurer

NATIONAL HEALTHCARE SERVICES INC

	LINE OF CREDIT PAYMENTS DUE	3/9/2000-\$25,000 INTEREST PRINCIPAL	4/29/2000-\$25,000 INTEREST PRINCIPAL	8/24/2000-\$25,000 INTEREST PRINCIPAL	TOTAL PAYMENTS DEDUCTED FROM INCOME	AMOUNT DUE PTNA
1/12/2000-\$50,000 INTEREST PRINCIPAL						
Feb-00						
Mar-00						
Apr-00						
May-00						
Jun-00						
Jul-00	457					
Aug-00	461					
Sep-00	465	234				
Oct-00	469	236				
Nov-00	473	238				
Dec-00	461	236	240			
Jan-01	461	236	242			
Feb-01	461	236	242			
Mar-01	461	4391	242			
Apr-01	423	4391	242			
May-01	384	4391	242			
Jun-01	363	4391	2201			
Jul-01	324	4391	2201			
	5663	26346	236			
		2540	2198			
			198			
			198			
			8677			
				2412	6602	1521
					53754	34899
						18,855

ALL RISK PLAN

JUNE 2001



FEES COLLECTED	1ST YEAR	14,730
	RENEWAL	10,273
		<hr/>
		25,003
COMMISSION	1ST YEAR	8,838
	RENEWAL	2,055
		<hr/>
		10,893
FEES @ \$99.80		3,780
FEES @ \$25		947
TOTAL COMM & EXPENSE		<hr/> 15,620
NET INCOME		9,383
PTNA SHARE		4,692
ALL RISK SHARE		4,692 APPLY TO NOTE

ALL RISK PLAN

'JULY 2001



FEES COLLECTED	1ST YEAR RENEWAL	1,739
		14,255
		<hr/>
		15,994
COMMISSION	1ST YEAR RENEWAL	1,043
		2,851
		<hr/>
		3,894
FEES @ \$99.80		2,582
FEES @ \$25		647
TOTAL COMM & EXPENSE		<hr/>
		7,123
NET INCOME		8,871
PTNA SHARE		4,435
ALL RISK SHARE		4,435 APPLY TO NOTE